

Consumer Behavior in Online Retailing: Factors, Trends and Implications in India

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ABSTRACT

Online retailing has revolutionized the retail landscape, offering unparalleled convenience and accessibility to the consumers. Consumer behavior in online retailing is a rapidly evolving subject, shaped by technology advancement, shifting preferences, latest trends and the convenience of e-commerce platforms. This study explores the factors influencing consumer behavior in the digital marketplace, including trust, price sensitivity, convenience, social proof and personalized shopping experiences. It also examines the latest trends and technologies such as artificial intelligence (AI), augmented reality (AR) and mobile commerce in transforming the online shopping landscape.

Furthermore, the research delves into different factors, such as impulse buying, cultural differences, and generational preferences, that affect buying decisions. By understanding these dynamics, online retailers can craft targeted strategies to improve customer engagement, retention, and satisfaction.

The findings emphasize the needs for businesses to embrace innovation and adapt to evolving consumer expectations, ultimately paving the way for a more personalized, secure and efficient online shopping experience. This study contributes to the growing literature on e-commerce and provides actionable insights for practitioners and researchers.

Keywords: consumer behavior, online retailing, e-commerce, technology advancement, buying patterns, trust and personalization.

INTRODUCTION

In recent years, online retailing has emerged as a dominant force in the global marketplace, fundamentally transforming how consumers interact with businesses and make purchase decisions. The emergence of online retailing has revolutionized the global retail landscapes, enabling consumers to access products and services from the comfort of their homes. The integration of digital technology into commerce has introduced a new dimension to shopping, offering convenience, personalized experiences and an extensive variety of choices. With the rapid adoption of internet technology, and the proliferation of smart phones, e-commerce platforms have made shopping more accessible, convenient and personalized and online shopping has become an indispensable aspect of modern consumer behavior. This shift has redefined consumer behavior, highlighting the growing importance of understanding how and why individuals engage with online retail channels. Unlike traditional shopping experiences, online retailing is characterized by unique factors such as trust in digital platforms, the influence of social proof through reviews and ratings, and the ability to personalize offerings using advanced technologies like artificial intelligence (AI), augmented reality (AR), and mobile commerce (m-commerce). These factors significantly shape consumer decision-making process, driving trends such as impulse buying, preference for convenience and loyalty to specific platforms and make shopping experiences more immersive and tailored.

Understanding consumer behavior in online retailing is vital for businesses to remain competitive in this rapidly evolving market. This paper seeks to explore the different factors influencing consumer behavior. It aims to provide insights into key drivers, including convenience, price sensitivity, impulse buying tendencies, and sustainability preferences. By analyzing these dynamics, this research aims to equip online retailers with

strategies to enhance customer satisfaction, foster loyalty and adapt to emerging trends in digital economy. In online retailing or e-commerce, understanding the consumer journey is crucial for optimizing the shopping experience. The buying process generally consist of three stages:

- **Awareness:** This is the initial phase where consumers discover a product or service through social-media, online advertisements, or word-of-mouth recommendations.
- **Considerations:** At this stage, consumers evaluate different options by comparing factors such as price, quality, and reviews. Detailed product descriptions and positive customer feedback play a significant role in influencing their choices.
- **Decision:** The final stage where the consumer makes a purchase decision, influenced by trust, convenience, and the overall shopping experience.

Research Objectives

“To explore the consumer behavior by analyzing the factors influencing purchase decisions or online shopping behavior. The study aims to identify emerging trends, including mobile shopping, personalization, sustainability and evaluate the challenges faced by online retailers such as trust issues, cart abandonment, and the intense competition. Additionally, the research aims to provide actionable insights for online retailers to optimize their strategies for enhancing users experience improving retention, and driving sales and business growth.”

REVIEW OF LITERATURE

Rashid Al Karim (2013) “Customer Satisfaction in Online Shopping: a study into the reasons for motivations and inhibitions” found that consumers purchasing decisions were dependent on various factors. According to consumers opinions” time saving” is the most important motivating factor for online shopping. Again “information availability” „open 24/7, huge range of products/ brands, reasonable prices, various offers for online products, easy ordering system, and shopping fun are other motivating factors for online shopping respectively. In contrast, when respondents were asked about the inhibitions of online shopping, it was found from the findings that, online payment system, personal privacy or security issues, delaying of delivery, products mixing up at delivery time and products return policies and lacks of personal customer service are the main inhibitions of online shopping to the respondents. It was also observed that online shopping is not trustworthy and reliable to some consumers due to only online payment system and personal privacy. In addition, online security is a major concern for the consumer particularly in terms of fraud, privacy and hacking. The concerns for online consumers as well as online organisations, relating to online security as hackers, vandals and viruses” penetrate both vulnerable personal and corporate security system. The main drawback of any contraventions in security or privacy is the loss of trust and reputation, which may affect customer confidence, which can be very damaging for web-based vendors.

Dr Yogesh D Mahajan (2017) “A Study of E-retailing: Analysing the Factors and Perceptions of Indian Millennials for Online Retailers” can be seen from the analysis that the various factors for selecting online retailers are website design and response which is as found in various review of literature. Because if the response is not quick, the customer will try to look for other websites. Second factor is actual service provided by the online retailer. In addition, security while doing online transaction and confidentiality of data is an important factor in the selection of online retailer. Last but not the least; service provided by online retailer in case of any problem is also important factor in India for millennials. As the millennials are young and dynamic, they expect the same type of response from the website. Also, you can see the millennials are satisfied with the services of online retailers as per hypothesis 1. Reason is that there is cut throat competition between the two major players i.e. Amazon and Flipkart. Also, at present they are offering huge discounts on various products to convert offline buyers to online buyers. But it is not sustainable in the long term. They need to create loyal customers for the brand. New innovative marketing strategies are required to retain the existing and new customers. It is also found that very less millennials shop through Snapdeal. This may also be due the fact recently the company was on for sale to Flipkart, which failed. The second hypothesis shows that

there is no difference in perceptions of millennials regarding the services provided by the Amazon and Flipkart. That shows that consumers in addition to above factors compare price of the product while selecting the online retailer for purchase.

Ms. Bharti (2022) “Issues and Challenges in Emergence of Online Retailing in India” found that the Indian retail sector is witnessing dynamic changes over the years. With a steady growth rate of 50- 60% online retail can make significant contribution to retail industry and economy of our country. But to capitalise on these growth trends we need to improve our physical infrastructure, policy framework and operational environment in our country.

Salem Perumal Thenmozhia, Sundaram Vijayanandb and Arunachalam Arumugam (2022) “A STUDY ON IMPACT OF ONLINE SERVICE QUALITY ON CUSTOMER SATISFACTION IN E - RETAILING BUSINESS” The result of this study will support towards the service quality literature of the online business by demonstrating empirical support towards the dimensions of online service quality. Future research can apply the framework used in the study for other online-services. Based on the results, online retailers can identify the problem areas and formulate strategies to underperforming or important factors pertaining to the online service quality so to improve the level of happiness among the consumers and customers.

Dr. Shivika Bhatnagar, Dr. Rajat Kumar Kamboj (2023), A study on customer satisfaction towards online shopping in India, concludes that Online shopping offers a substitute for physically visiting a store to make a purchase. Due to their busy schedules, individuals today don't have as much time to physically visit the store. Online shopping therefore gives them the chance to purchase a product whenever they want and from any location using a compute, laptop or smart phone and the internet. Offers, discounts, product delivery and enticing prices entice customers to make online purchases of goods and services. If issues like product unavailability, infrastructure for online purchasing, and payment are resolved product arrived in damaged condition, wrong product sent and non- cooperative staff, online shopping will have a better future.

Prof. Prabhan Puzari, Riddhi Thummar, Ibrahim Saduwala(2023) “Study on Customer Satisfaction towards Online Shopping” discovered that the majority of respondents are aware of online shopping and that 90% of them have made an online purchase, indicating the rising popularity of online shopping among consumers. The changing lifestyles of Indian customers and the rise of internet activity are causing changes in buying preferences. The security of websites is a major appeal of online shopping.

Dr. Nirmal Singh, Prof. Dr. D. D. Chaturvedi, Prof. Dr. Anand Mittal, Dr. Arjun Mittal (2023) “Impact of Artificial Intelligence in Online Customer Satisfaction: An Empirical Study using Multiple Regression Analysis” AI Based Product Recommendations, Personalized shopping experiences, Convenient Instant Interaction and Chatbots and Customer Satisfaction are the factors that show the significant impact of AI-enabled Retailer on overall satisfaction with shopping of online consumers.

Archana Kumari (2024) “The Study on Customer Satisfaction Towards Online Shopping” concluded that online customers are satisfied. This research clearly indicates that online marketer should give more importance on price factor and after sales service. In this competitive era all the online marketers should have to focus on the customer's satisfaction to retain the existing customers and have to offer new attractive schemes day by day to attract new customer.

RESEARCH METHODOLOGY

- **Research design:** Descriptive and analytical study
- **Data collection:** Secondary data: research papers, reports, articles, and case studies.

KEY FINDINGS AND DISCUSSIONS

The advent of online retailing has changed the way India shops, especially after the exponential growth of the internet and online infrastructure of the country. The shift in consumer shopping behaviour since the pandemic and an increasing share of the organized sector within retail markets created a strong foundation needed for the

establishment of e-commerce in the market. With a population of more than 1.4 billion and a fast-growing economy, the number of online shoppers is predicted to increase to 427 million and the online retail industry is likely to grow with a CAGR of 15% by 2027. In 2023, the number of annual shoppers was estimated to be about 250 million across India and the market size of the online retail industry in India amounted to 103 billion U.S. dollar. This was a significant increase as compared to the previous year. The annual number of shoppers are likely to increase to 425 million in 2027. This research aimed to explore the key factors influencing consumer behaviour in online shopping environment, and the finding offer valuable insights into emerging trends, challenges and strategies that can be adopted by online retailers.

Factors influencing online consumer behaviour

1. **Convenience:** Accessibility, 24/7 availability, ease of comparison.
2. **Trust:** Secure payment systems, credible platforms, return policies.
3. **Social proof:** Reviews, ratings and peer recommendations.
4. **Price sensitivity:** Discounts, promotions and affordability.
5. **Personalization:** AI- driven recommendations and targeted ads.

Demographic and psychological aspects

1. Influence of age, gender, income and education on shopping preferences
2. Impulse buying behaviour driven by limited – time offers and flash sales.
3. The role of cultural and regional factors in shaping online retail trends.

Emerging trends and technologies

1. Impact of mobile commerce, AI, AR, and VR on consumer engagement.
2. Integration of social media in online shopping decisions.
3. Majority of consumers preferring to shop through apps due to their ease of use and accessibility.
4. Eco-friendly practices, such as recyclable packaging and ethical sourcing.
5. Voice commerce.
6. Livestream shopping
7. Visual search and image recognition.
8. Sustainable and ethical retailing.

Challenges in understanding consumer behaviour and challenges faced by online retailers

1. Misleading reviews and cyber security threats.
2. Fragmented consumer preferences across platforms.
3. Retailers are grappling with issues such as cart abandonment, which often stems from unexpected shipping costs, complicated checkout processes or lack of payment flexibility.
4. Intense competition has saturated the market, making customer retention increasingly difficult.

Strategic implications

The finding suggests that to remain competitive, online retailers must focus on enhancing user experience, streamlining the purchase journey, and reinforcing trust through transparency and secure practices. Implementing advances data analytics to power personalization and offering sustainable product options can boost consumer loyalty programs, timely follow-ups, and exclusive deals play a key role in driving repeat purchases. Some several effective strategies are:

1. Localized user experience
2. Mobile-first approach
3. Cash on delivery and multiple payment options
4. Hyperlocal logistics
5. Affordable pricing and discounts
6. Customer support in regional languages
7. Personalized marketing and AI recommendations
8. Social commerce and influencer marketing
9. Tier 2 and tier 3 city penetration
10. Green and ethical practices

CONCLUSION

The rapid growth of e-commerce in India, fuelled by increasing internet penetration and digital adoption, has significantly transformed consumer shopping behaviour. With projections showing a rise in online shoppers to 427 million by 2027 and the market size reaching \$103 billion in 2023. It is evident that online retailing is becoming a dominant force in the Indian economy. By analysing literature, data and identifying key trends, companies can tailor their marketing strategies to meet the needs and preferences of their targeted audience and improve customer retention, drive repeat purchases, and maintain a competitive edge in a dynamic market. Additionally, leveraging technology and personalization techniques can enhance the overall shopping experience and foster customer loyalty. As the online retailing landscape to evolve, staying attuned to customer behaviour patterns will be the key to unlocking growth and staying ahead of the competition.

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